

FISCAL YEAR 2003

EOHHS

PURCHASE OF SERVICE

REQUALIFICATION

PART ONE:

CONTRACTING REQUALIFICATION REVIEW

&

AUDIT RESOLUTION

PROCESS



January, 2002

COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES

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TO: EOHHS POS Provider Executive Directors

FROM: Peter Bates, EOHHS Director of Procurement and Contracted Services

DATE: January 25, 2002

RE: **FY2003 Purchase of Service (POS) Contracting Qualification**

The Executive Office of Health and Human Services (EOHHS) FY 2003 POS contracting requalification process is now under way. Since most providers have already submitted required copies of their FY 2001 Uniform Financial Report (UFR) to their assigned Principal Purchasing Agency (PPA), the financial portion of the review is already in progress at most agencies. The remainder of the submission and review process now needs to be completed. Written instructions and required Excel 97 workbook file applications have again been posted for download at the www.state.ma.us/dph/pos/eohhs.htm Internet site for the process. As in the past, the site includes separate Part 1 and Part 2 (Programmatic Accessibility, Affirmative Action and Equal Opportunity) documents. The requalification submissions for both parts of the package are due **Friday, February 22, 2002** and should be submitted directly to your PPA rather than to the EOHHS secretariat office on this letterhead. Potential new providers reading this memo should note that separate submission instructions and time frames appear in purchasing agency Request For Response postings, which initiate the contracting "prequalification" process for organizations seeking to contract with EOHHS agencies for the first time.

Where provider representatives for requalifying organizations are themselves new to the requalification process, they should also review the download site's separate instructional package for potential new providers since it contains extensive background information about the process and related requirements such as the OSD UFR filing system.

Please note the following:

- **This year, preprinted certification forms have been replaced by an Excel 97 workbook file application ("CQ03.XLS")** to be downloaded from the Internet site along with the separate Part 2 PA/AA/EO process Excel file ("2003PAAA.XLS"). In order to minimize the data entry burden on preparers, the CQ03.XLS file has been preloaded with existing qualification information for almost all requalifying organizations and the 2003PAAA.XLS file has had cell reference linkages built into it so that, if desired, it can be linked by the preparer to the organization's copy of last year's 2002PAAA.XLS file for preloading purposes. Each file contains a "Start_Here" worksheet with instructions for completion of the submission templates. Images of the worksheet pages in the Excel have not been included in the main Part1 download file due to file size considerations, but can be separately downloaded as a "CQ03Images" file from the Internet site. The images are intended only for use by interested parties (e.g., "the public") who may not have access to Excel software. The images may not be used to prepare manual submissions in lieu of the required electronic submission process.
- As you may already know, the Commonwealth's Operational Services Division is nearing completion of an electronic Internet filing process for the UFR. If all goes well, UFR data will be available on-line to purchasing agencies next fall, eliminating the need for the submission of UFR hard copies to the PPA. Please bear with us in the meantime.

- If your organization is involved in multi-entity organizational arrangements including but not limited to mergers, affiliations, and management agreements, please remember that qualification reviews are conducted on a consolidated basis and require the submission of complete information for all commonly controlled, affiliated or related entities including any legal entities that do not directly hold contracts with EOHHS agencies and entities that do not have direct financial transactions with the contracting entities. Where the UFR does not fully cover all involved parties (e.g., where not all financial information is reported on a consolidated basis, as may be the case with mixed non-profit/for-profit enterprises) submission of supplemental financial information and other disclosures for all off-UFR entities is required. These disclosure and review standards have remained unchanged for a number of years; however, if you are not completely familiar with the requirements, you should take the time to review the written instructions in detail.
- In order to minimize questions regarding uncompleted reviews and the need by auditors and non-PPA purchasing agencies for status documentation, your PPA has been asked to notify each organization of its qualification status when this year's process is completed.

The PPA cover letter should include PPA representative names, addresses, phone numbers and e-mail addresses. A PPA contact list is also posted at the Internet site. If you have any questions regarding the process, please feel free to contact the PPA representative for assistance.

EOHHS and the staff of its agencies greatly appreciate the resource constraints and significant challenges faced by our colleagues in the provider community. Thank you for your cooperation in this risk management process and your continuing efforts on behalf of the communities we all serve.

EOHHS Agency

Contracting Requalification Review and Audit Resolution Process

Revised January, 2002

QUALIFICATION FORM INSTRUCTIONS

SCOPE OF SUBMISSION

EOHHS purchasing agencies utilize a contracting qualification process that groups the evaluation of commonly controlled, affiliated or related organizations under a single consolidated review using a six character "Umbrella Qualification ID" (UQID) for identification and tracking purposes. Financial statement and other submissions must encompass all affiliated/commonly controlled organizations and all related party and significant contracted management or direct service arrangements, regardless of whether or not the other organizations directly provide contracted human services to the Commonwealth. (Certain exceptions to this rule have been established for "YM/WCA" organizations and similar entities that are essentially independent of national umbrella organizations for financial, administrative and governance purposes.) If you have any questions about this requirement, please contact your PPA. **If the existing qualification submission information on file with the PPA no longer accurately reflects your current organizational structure (e.g., due to recent affiliations/mergers), please contact your PPA representative for instructions since it may be necessary to consolidate qualification reviews, adjust PPA assignments or execute revised documents for the Office of the State Comptroller.**

I. INFORMATION FOR PRIMARY ORGANIZATION

QID Suffix: The Contracting Qualification Form incorporated into the Excel workbook file used for the qualification process gathers basic contact and organizational information for the "primary organization" and any secondary entities covered by the review. The majority of providers are free standing entities without affiliates, parent organizations, subsidiaries or other "related parties". These freestanding entities are not assigned suffix letters to supplement the 6 character UQID assigned by the PPA and the QID Suffix field at the beginning of Section I will remain blank. In other cases there will be multiple entities involved. If the primary or "parent" entity is the only entity holding human service contracts and there is no need to establish multiple human service contract vendor codes for either the primary organization or any of the associated entities, the QID Suffix field should also remain blank and no secondary listings will be required on pages 2 or 3 of the form. In all other cases, the QID Suffix for the primary organization will be "A" and each secondary listing will be assigned a different QID suffix, resulting in a unique 7 character Qualification ID ("QID") for each listing. This QID suffix assignment process is built into the Excel file application.

FEIN (Federal Employer Identification Number – a.k.a. "Tax Identification Number"): Enter or, if necessary, edit the 9 digit FEIN for the primary organization. (Governmental entities such as towns should substitute the "047..." series numbers assigned by the Office of the State Comptroller for state contracting purposes.)

VC Suffix: This is the 4 character alphanumeric suffix assigned by the Office of the State Comptroller for use in conjunction with the FEIN to create the state accounting system vendor code. Where a suffix has not yet been assigned for a new listing or where the PPA has failed to make internal updates to a newly created listing from the prior year, the field should read "PEND". If the existing listing reads "PEND" but a suffix has since been assigned, please replace the entry with the actual suffix (e.g., "0003"). Where the primary organization is a non-contracting "parent" entity (e.g., a national corporation whose subsidiary will be the actual contractor), please place an "X" in the check box appearing at the top of section I and enter "XXXX" as the VC Suffix.

Primary Organization Name: Enter or edit the name of the primary organization using the legal name rather than a DBA name. In certain instances the name may have been somewhat modified by PPA staff to conform to naming conventions (e.g., "Town of ___", "YWCA - ___"). In these cases, there is no need to replace the entry with the exact legal name. Note that where a secondary vendor code listing for the same legal entity appears on page 2 or 3, data base issues require that each organizational name entry be edited so that it is unique (e.g., "XYZ, Inc.-2").

Business Office Address: Please complete all fields (using 2 letter state codes and 5 digit zip codes).

Incorporation Type: Select the applicable category from the Excel file drop-down list (non-profit, for-profit, partnership, governmental entity, etc.).

Capitalization Threshold: Enter or edit the dollar threshold established by the organization's governing board for the purpose of capitalizing expenditures. This amount is used by purchasing agencies to verify allowability of contract program budget amounts and to determine when the use of capital budget funding is required.

SOMWBA Certification: Select the applicable classification from the Excel drop-down code list. Certification as a Minority, Portuguese, or Women's Business Enterprise, or as an enterprise controlled by persons with disabilities results in positive consideration in the contract award process conducted by each agency. For additional information regarding SOMWBA certification, please visit the Internet site for the State Office of Minority and Women Business Assistance at: <http://www.state.ma.us/somwba/>. Submission of a copy of the SOMWBA certification document is not required for contracting qualification purposes since certification status is recorded on the SOMWBA Internet site. If your SOMWBA certification is still pending and not yet recorded on the Internet site, please use the Provider Comments field on the worksheet form to indicate the certification category and the date of your certification submission to SOMWBA.

Medicaid ("MassHealth")/MBHP: Please select the applicable drop-down list category indicating if the organization is a direct Medicaid/MassHealth provider, an indirect recipient of Medicaid payments through the Massachusetts Behavioral Health Partnership subcontracted care system, or both. If not, select the "No Participation" option.

POS Subcontracts: Using the drop-down list, indicate whether the organization uses other organizations as subcontractors for its POS contracts, acts as a POS subcontractor to other organizations, does both, or neither. (The use of "relief staffing agencies does not constitute "subcontracting" under POS system regulations.)

Board Chairperson, CEO, Contracting Qualification Contact Person: These fields should be self-explanatory. Please complete each field. Since different data elements are used for a variety of purposes, it is important that each field be filled as though it were freestanding. Please do not enter "same" where a single individual fills multiple roles.

II. SUBMISSION MATERIALS

COMPLETE ITEM 1a/b ONLY IF YOUR ORGANIZATION DOES LESS THAN \$250,000 A YEAR IN EOHHS BUSINESS OR IF YOUR ORGANIZATION IS A GOVERNMENT ENTITY.

1. Exemptions/Exceptions

a) Limited Qualification

If your organization is exempt from audit/audit resolution requirements (see audit note below), does less than \$250,000/year in business (including subcontracts - see page 6) with EOHHS purchasing agencies, and wants to claim exemption from the item 2 Financial/Audit Information submission requirements, please check the applicable box.

PA/AA/EO materials (Part Two of this package) are separately reviewed by PPA PA/AA/EO units on an annual basis and should be submitted directly to the PPA ADA Manager/Civil Rights Officer or other designated contact person identified in the PPA cover letter to your organization. The PA/AA/EO review provides for two approval levels, one involving a full submission and one involving an abbreviated submission for provider organizations doing less than \$50,000/year in contracted business with the Commonwealth. Please select the "< \$50K AA/EO" option for item 1a) if your organization will be contracting under the \$50,000/year restriction and submission of an A-133 audit is not required.

Audit Note - Even if your organization is otherwise eligible for these exemptions, it may be subject to federal A-133 audit requirements if its expenditures of federal funding (received from Commonwealth, federal and/or non-Commonwealth pass-through entities) exceeded the \$300,000 A-133 audit threshold. If so, exemption cannot be claimed. Similarly, the need to resolve outstanding audit findings (e.g., from audits conducted by the Office of the State Auditor) may preclude exemption where the audit findings pertain to issues that are relevant to the delivery of contracted human services. Financial submissions may also be required by the PPA from providers falling below the \$250,000/yr threshold if the PPA determines that unusually high service continuity risks exist. Further information regarding these exemption statuses can be obtained from your PPA. In addition, certain providers doing less than \$250,000/year in business with EOHHS agencies, while exempt from contracting requalification financial submission requirements, may still be obligated to submit a UFR to OSD on either a "review opinion basis" (e.g., OSD exception/exemption category 3) or a full audit basis (e.g., DPS exemption/exception category 5). In these cases, unless audit findings are involved, submission of a UFR copy to the PPA is not required for contracting requalification purposes. However, affected providers should note that failure to meet OSD filing requirements will result in the imposition of contracting sanctions/penalties where requested by OSD.

b) Governmental/Public Entities

If your organization is a Governmental entity (a.k.a. "public entity"), it is exempt from item 3 a/b/c submission requirements and will be Unconditionally Qualified for contracting with EOHHS agencies unless POS related audit or other issues have been identified. In instances where the governmental entity also has a non-governmental entity contracting affiliate organization, financial and other submissions are required. Select the appropriate response from the drop-down box for the field.

2. Financial/Audit Information

FY End: Please enter the fiscal year end date for the covered reporting period.

Documentation: In the Documentation fields, select the appropriate drop-down response indicating whether the documentation has already been submitted, is being submitted with the contracting qualification submission, etc. For atypical fiscal year end situations (e.g., 9/30 and 12/31), enter the required submission date if the financial statements are not yet due. (Consistent with filing requirements established by the Public Charities Division of the Office of the Attorney General, UFR and contracting requalification financial submissions are due on the fifteenth day of the fifth month following the close of the organization's fiscal year – e.g., February 15th for September 30th fiscal year end dates).

Submission Type: Use the Submission Type field to identify the type of submission (HCFP Report, UFR – A133, UFR – non-A133, etc.). The organization's OSD/UFR filing is required for most providers; however, alternative documentation arrangements are made for certain organizations such as Division of Health Care Financing and Policy (HCFP) hospital report filers and organizations which have not yet completed a full 12 month year of contracting and are not yet required to report on a OSD/UFR format basis. As set forth in the Scope of Submission section of these instructions, commonly controlled/affiliated organizations must submit financial information covering all involved entities, not just those contracting with the Commonwealth or filing UFRs with OSD. If you are in any doubt regarding financial information submission requirements, contact your PPA representative.

When submitting the UFR, please be sure to submit an entire copy of the document, including all supplemental schedules and attachments (e.g., "management letters") to both OSD and your PPA. UFR audit submissions that have been deemed deficient by OSD cannot be accepted for prequalification purposes. If corrections or resubmissions are made to OSD, a copy must also be sent to the PPA since OSD has not yet arranged to make UFR text material electronically available to other agencies.

Liability to Commonwealth: In the Liability to Commonwealth field, select the appropriate response indicating the status of any liability to the Commonwealth for audit resolution or other repayments.

Summary Information: Use the form fields to enter fiscal year summary data in whole dollar amounts. (Where large entities have presented their financial statements "in thousands", please restore the three zeros when data entering.) Except for the "Ending Net Assets – Current Operations" field, each item (e.g., "Total Current Assets") should tie to the total for all funds where the organization utilizes a fund basis accounting system. As the fields are completed, computed ratios will be generated in the ratios column for the year. Please double check the entries if the ratios do not appear to be correct. For example, an unusually high Days Receivable computation will result if Contributions Receivable, Notes Receivable, or Other Accounts Receivable amounts have been misclassified as "Net Accounts Receivable – Program Services" (or if Program Service Fees have been misclassified as Grants). In addition, if the amounts entered are out of balance (e.g., Total Assets minus Total Liabilities minus Total Net Assets does not equal zero), a red error message will appear beneath the Provider Comments field just above the "For PPA Internal Use" area of the form. When completing the Audit Opinion and Findings fields, select the appropriate entries from the drop-down lists for the fields.

Where the qualification review covers multiple entities, please enter the summary financial data on a consolidated basis even if multiple unconsolidated financial statements are being used for submission purposes.

3. Additional Submission Items

In addition to the required separate Programmatic Accessibility and AA/EO submission package, the following are required:

a) Articles of Organization/Bylaws

Copies of these documents need to be submitted by renewing providers only if documents have been modified since they were last submitted to the PPA. The services and activities of the provider must be within the scope allowed by governance documents. Where organizational activities are governed by additional legal restrictions such as those set forth in affiliation or pending merger agreements, those documents must be submitted as well.

b) Organizational Chart

Providers must submit an organizational chart displaying the overall structure of the organization only if there have been significant changes since the last filing. (The information must cover all entities within the review scope, not just those entities directly providing contracted services to the Commonwealth.)

c) Board/Principals Information

Submit a copy of the most recent Secretary of State Corporations Division Annual Report if there have been any changes in board membership since last year. Likewise, if there have been any changes of Principal staff for the organization (e.g., new CEO or CFO), new resumes must be submitted. If there have not been any changes, select the no change option from the drop-down list for the field. Otherwise, select the appropriate response option. *Alternative format Board of Directors information submissions will not be accepted unless the organization has been exempted from Annual Report requirements by the Secretary of State* (e.g., religious organizations and Special Education Chapter 766 schools). Note that, unless exempt, annual reports must be filed with the Secretary of State by November 1st of each year for non-profits and within two and a half months of the fiscal year end for for-profits and out-of-state "foreign corporations" doing business in the Commonwealth. **Failure to file as required can result in involuntary suspension by the Secretary of State of the organization's charter to do business in the Commonwealth.** If your organization is exempt from the Secretary of State's reporting requirement, if membership changes have occurred since the most recent annual report, or if other disclosures are required (e.g., if the board is temporarily out of compliance with the independent governance provisions of the Terms & Conditions), please provide an explanation in the Provider Comment field or by separate attachment.

d) Terms & Conditions for Human and Social Services Contracting

Providers with major organizational changes (e.g., merger with change in Federal Employer Identification Number [FEIN - a.k.a. Tax Identification Number or "TIN"]) must re-execute and submit the Commonwealth's Terms and Conditions for Human and Social Services (TCHSS) if they have not already done so. Where requalification submissions cover more than one organization with a single FEIN, a valid TCHSS must be on file for each distinct FEIN used for contracting with the Commonwealth. If you are not sure whether or not TCHSS submission/resubmission is required, please contact your PPA representative for guidance. Select the appropriate response from the drop-down list for this field.

e) Federal Employer Identification Number (FEIN) Documentation

If there has been a FEIN change for a renewing provider, as may occur in merger situations, a vendor code change will be required if a vendor code covering the new FEIN has not already been established. If so, please enclose documentation of the new FEIN (e.g., IRS notification letter) along with the MA Comptroller's Substitute W-9 Form (obtainable from your PPA or from the Internet site). Execution and filing of a new Terms & Conditions document will also be required (see above). Select the appropriate response from the drop-down list.

f) Audit Resolution Agreement/Corrective Action Plan

Please review the Satisfactory Financial Condition Criteria and Qualification Criteria Worksheet in this package in conjunction with the Summary Financial/Audit Information and computed ratios on the Excel worksheet. Note that, submission of a formal Audit Resolution Agreement or Corrective Action Plan is automatically required for audit resolution purposes and is usually required where significant contractual compliance deficiencies exist which may not have been identified in the audit (e.g., filing for bankruptcy restructuring protection subsequent to issuance of the UFR audit). Where a CAP is not automatically required but not all satisfactory financial condition criteria have been met, submission of a formal Corrective Action Plan to address financial condition or other issues may be required at the discretion of the PPA. This is usually requested only in unusually serious situations. For less serious situations the PPA may follow up with the provider on desired corrective measures in a more informal manner. If you are not sure whether formal or informal corrective measures are appropriate, please consult your PPA representative. *If an Audit Resolution Agreement or CAP is required, please read the Audit resolution Agreement/Corrective Action Plan information sheet in this package for further guidance regarding submission requirements.* Where required, a draft document should be submitted with your contracting requalification submission. It is generally advisable to consult with the PPA regarding desired provisions prior to execution and submission in order to minimize the possibility of approval problems.

III. RELATED PARTY DISCLOSURE CERTIFICATION

OSD/DPS regulations (808 CMR 1.04(4)) and state law require prior notification to OSD and purchasing agencies of related party arrangements. Complete the section by selecting the appropriate response from the field drop-down list. *OSD Related Party regulations follow FASB 57 standards, which very broadly define "control" to include indirect control, and situations where inter-organizational transactions may be absent. The regulatory definition of "related parties" is substantially broader than the approach commonly used by organizations for IRS tax purposes and failure to comply with prior disclosure requirements may result in payment penalties or other action.* Guidance materials appear in the OSD/UFR package, which may be obtained, along with the regulations, from the OSD web site at www.magnet.state.ma.us/osd/pos/dps.htm. Contact your PPA or OSD if clarification is needed. Requalification disclosure fulfills this requirement in most instances. However, if your organization plans to enter into new related party arrangements prior to the next requalification submission, prior notice must be given as required by law.

IV. FEDERAL DISCLOSURE, TAX AND OTHER COMPLIANCE CERTIFICATION

The representative formally authorized by the Board of Directors to execute contracts with the Commonwealth must complete this certification by signing in the Authorized Signature field. In the event that the certification must be qualified in any respect, place an "X" in the field provided for that purpose and attach an explanation. If you have any question regarding the certification requirement, please contact the PPA representative. Note that purchasing agencies are barred by statute from contracting with entities that are out of compliance with tax filing and payment requirements. If your organizations falls out of compliance with tax filing and payment requirements while it is contracting with the Commonwealth, purchasing agencies may have no legal alternative to immediate contract termination.

The Federal Disclosure incorporated into the certification statement is a mandated federal prerequisite to RFR participation and contract award and must be completed before an RFR response can be accepted for federally funded procurements. Providers engaging in POS sub-contracting arrangements must also incorporate a Federal Disclosure Certification into the subcontract solicitation process as required by federal regulations. A list of federally excluded parties may be reviewed over the Internet at <http://epls.arnet.gov/>. (The Federal site can also be accessed through the link at the Comm-Pass site.) In addition, as part of the bid or contract execution process, organizations may be required to execute supplemental certifications, which may be mandated by applicable procurement laws (e.g., state Northern Ireland statutes). If you have any question regarding certification requirements, please contact the PPA representative.

V. SECONDARY VENDOR CODE AND POS CONTRACTING ORGANIZATIONAL LISTINGS

Pages 2 and 3 for the form are used to record information for any secondary vendor codes used by the primary organization for POS contracting and to record organizational and vendor code information for any secondary contracting organizations (e.g., subsidiaries) included in the qualification review. Please review the preloaded information from the prior year and make any necessary edits. Be sure to enter any missing information (e.g., Board Chair, fax, e-mail address). To mark a preloaded entry for deletion, enter "D" in the "Drop?" field to the left of the entry. If preloaded secondary vendor code information does not appear and your organization requires the use of multiple vendor codes, please contact your PPA for instructions. *Medicaid providers should note that Medicaid vendor codes (for which the suffix begins with an M - e.g., "M001") are normally reserved for Medicaid payments and are generally not used for POS contracting purposes.* Medicaid vendor codes are not listed on the form unless they are also being used for POS contracts. See **Section I. Information for Primary Organization** for completion guidance for individual data fields.

The authorized representative for each organization contracting with the Commonwealth must, under penalties of perjury, sign the certification line provided for that organizational Federal Employer Identification Number (FEIN) as required by the preceding instructions for sections III and IV. The Excel file worksheet has been formatted to display a signature field whenever a secondary listing utilizes a new FEIN.

Upon completion of the Excel file application, complete the steps required for electronic submission as specified in the "Start_Here" sheet of the workbook. Print a copy of the Qualification Form (and of the Audit Resolution Agreement and Corrective Action Plan sheets if applicable) for signature by the Authorized Signatory(s). Then send the signed printed form(s), accompanied by any additional required submissions, to your PPA representative at the address provided in the PPA cover letter. Thank You.

OTHER INFORMATION

PPA Review and Assignment of Status

The PPA will review the submission for financial condition, audit and other risk factor issues and assign one of the following statuses:

- **Limited Qualification** (\$50K or \$250K subcategories),
- **Unconditional Qualification** (in satisfactory financial condition and no audit or other corrective action requirements or procurement restrictions apply),
- **Qualification with Informal Corrective Measures** (providing for the correction of financial condition or other identified deficiencies of marginal severity),
- **Qualification with Audit Resolution Agreement/Corrective Action Plan** (providing for the correction of audit findings and/or significant issues warranting use of a formal Corrective Action Plan),

- **Conditional Qualification** (where serious issues exist and the organization is, as a result, deemed not qualified to do business with the Commonwealth without significant restrictions on contract awards and/or service expansion),
- **Provisional Qualification** (where the best interests of the Commonwealth warrant restricted temporary procurement with a not yet qualified organization pending fulfillment of qualification submission requirements), or
- **Rejected Qualification** (qualification requirements have not been met).

In certain cases these status designations may overlap (e.g., where the organization is qualified with an Audit Resolution Agreement coupled with informal corrective measures for other identified issues).

Upon completion of the review, the PPA will send a status confirmation notice to your organization. As noted above, approval conditions and restrictions specified by Secretariat qualification processing instructions issued to Principal Purchasing Agencies may apply and, if required, will be set forth in a notice from the PPA. The qualification status is then recorded in a database used by purchasing and oversight agencies for the purpose of determining eligibility for contract awards and to engage in human services contracting for the upcoming fiscal year.

Late/Incomplete Submissions

Requalifying providers that fail to submit all required information by the annual submission due date may be subject to payment delay and other sanctions pursuant to provisions of the Terms and Conditions for Human and Social Services. *If your organization is unable to meet the filing deadline and believes that exceptional circumstances warrant a brief extension (e.g., a Corrective Action Plan appears to be required and board approval can not be arranged prior to the submission deadline), please seek approval from your PPA as soon as possible.* Providers that fail to meet minimum standards or that fail to submit all required information in time for next year's recontracting process may be rejected. In the alternative, where it has not been possible to complete the review due to failure by the provider to complete one or more submission requirements and the PPA has determined that the interests of the Commonwealth justify continued procurement, the provider may be **Provisionally Qualified** for a period not to exceed three months, during which the provider must come into full compliance or contracts shall terminate at the end of the provisional qualification period. *Barring exceptional circumstances justifying a submission due date extension, payment delay and/or other penalties will be imposed pending completion of the requirements and the provider will not be eligible for participation in the Office of the State Comptroller's Ready Payment system. Additional penalties initiated by OSD pursuant to OSD regulations covering UFR filing requirements may also be imposed where applicable.*

What happens if information changes after the provider has been qualified?

A qualification status remains valid until the following year's requalification process is completed unless changes are warranted at an earlier date. Significant changes which are material to a provider's status must be reported at the time of change and may be considered by the PPA in determining whether a provider's status should be changed or whether an existing Corrective Action Plan should be modified. Examples requiring reporting at the time of change rather than at the next scheduled requalification cycle include, but are not limited to: UFR filings or refilings with due dates other than November 15th, changes in debarment or tax & other compliance status, related party changes, merger or other corporate restructuring, significant change in financial position, or issuance of contract monitoring or audit findings (e.g., by the Office of the State Auditor) subsequent to the information relied upon in the most recent qualification determination.

Prompt reporting of any merger or other corporate restructuring arrangements is required both for the purpose of reassessing the qualification status of the changed entity and in order to ensure adherence with Commonwealth requirements for rebidding services and updating Terms & Conditions and other contracting documents. **Providers should not assume that contracts will automatically be transferred to restructured entities and are urged to discuss proposed restructuring arrangements with the PPA and other purchasing agencies prior to implementation.**

Subcontracting?

If your organization will be engaged in subcontracting, as defined by 808 CMR 1.00, for EOHHS agency service delivery, please contact the purchasing agency regarding audit and other requirements applicable to subcontracted services. Note that the 808 CMR 1.00 definition excludes relief agency and other services that do not constitute an actual program of service.

Need Further Assistance?

Please contact the PPA representative identified in the cover letter from your PPA. A PPA contact list also appears at the Internet site for the qualification process: www.state.ma.us/dph/pos/eohhs.htm.

This criteria worksheet is intended as an aid to the provider in identifying issues that will be covered by the qualification review conducted by the PPA and to assist in the identification of situations where an Audit Resolution Agreement or CAP will automatically be required. It does not cover every conceivable issue and may not determine the final qualification status of the provider. ***This worksheet does not have to be submitted to the PPA.***

CONTRACTING QUALIFICATION CRITERIA WORKSHEET

Partial Submission Exemption/Exception Categories

- ☐ 1. LIMITED QUALIFICATION REQUESTED (Check below if applicable)
 - ☐ \$250K Limit and not subject to audit findings or A-133 audit filing; ☐ \$50K AA/EO filing
- ☐ 2. GOVERNMENTAL/PUBLIC ENTITY WITHOUT A-133 AUDIT REQUIREMENT
- ☐ 3. NEWLY FORMED ORGANIZATION WITH NO FINANCIAL HISTORY

(SKIP TO ITEM 17 IF ITEMS 1,2 OR 3 APPLY.)

Criteria to Pass (See Satisfactory Financial Condition Criteria page for further details regarding financial items.)

UFR/Financial Condition Issues:

- ☐ * 4. UFR Audit Format used where required.
- ☐ * 5. GAGAS/A-133 Audit submitted if required, *including all attachments/Management Letters*.
- ☐ * 6. There is no unsatisfactory Audit Opinion (i.e., No Going Concern, Adverse, Disclaimer or Qualified opinion).
- ☐ * 7. There are no Internal Control or Compliance Audit Findings or Reportable Conditions (excluding non-reportable management letter issues or other items expressly exempted from resolution by the OSD Audit Resolution Policy).
- ☐ * 8. There is a positive Net Assets position (a.k.a. Net Worth/Fund Balance) and a positive Operating Fund balance.
- ☐ * 9. There has not been an Operating Loss > 5% and any loss, if continued, would not result in a fund deficit within 24 months.
- ☐ 10. If there has been an Operating Loss, it has not been preceded by a significant Operating Loss in either of the two prior years.
- ☐ 11. There has been no sharp decline in the Operating/Current Unrestricted Fund.
- ☐ 12. Current Assets exceed Current Liabilities (Current Ratio > 1.0) and there are no serious cash flow problems.
- ☐ 13. There has been no sharp decline in Working Capital and Working Capital is not marginal.
- ☐ 14. There has been no excessive accumulation of Accounts Receivable, Bad Debt or Free Care.
- ☐ 15. Any growth has been reasonable and consistent with available financial and administrative resources (e.g., growth has not been in excess of what can be supported by the organization's Return on Assets).
- ☐ 16. There are no Contingent Liabilities significant enough to jeopardize the organization's financial stability.

Contractual Compliance Issues:

- ☐ ** 17. Bankruptcy/Receivership action is not pending or ongoing.
- ☐ ** 18. There are no Tax or Insurance/Benefit Liabilities beyond those permitted by law.
- ☐ ** 19. OSD or HCFP sanctions have not been proposed or implemented.
- ☐ ** 20. All Related Party Disclosure/Compliance requirements have been met.
- ☐ ** 21. The provider has adhered to all Reimbursable Operating Cost restrictions.
- ☐ ** 22. No qualification of the Federal Disclosure, Tax and Other Compliance Certification is required.
- ☐ ** 23. No significant Licensure or required Accreditation/Certification deficiencies exist.
- ☐ ** 24. All Board Governance, Management Compensation and other applicable Organizational Requirements (e.g., AG/Public Charities & Sec. of State Corporate filings) have been met.
- ☐ * 25. All findings of State Auditor or other governmental procurement audit/review reports have been fully resolved to the satisfaction of the Commonwealth.
- ☐ * 26. All prior Corrective Action requirements have been met.

If all criteria items can be checked as passed, submission of an Audit Resolution Agreement/ Corrective Action Plan is not required unless requested by the PPA.

If not all items can be checked as passed, all identified deficiencies/issues should be discussed with the PPA to determine whether or not a formal Audit Resolution Agreement or CAP must be executed and submitted to the PPA. Unless qualification is being rejected, a formal document is automatically required for all deficiencies involving items marked with an asterisk * and is generally required for all items marked with a double asterisk ** since these items involve fundamental contractual compliance requirements. PPAs, at their discretion, may require formal Corrective Action Plans for other deficiencies/issues or may require informal or alternative corrective action/monitoring arrangements. (Please see accompanying Audit Resolution Agreement/CAP information sheet for completion instructions.)

SATISFACTORY FINANCIAL CONDITION CRITERIA

Satisfactory Financial Condition shall be defined as the organization's meeting the following minimum conditions:

1. The auditor has rendered an unqualified opinion on the basis of applicable auditing standards and the report does not include a "Going Concern" financial statement note (in lieu of a Going Concern opinion).
2. The organization has a positive net assets position (a.k.a. net worth or fund balance) and a positive operating fund (UFR Current Unrestricted Fund) balance.
3. Single year operating losses do not exceed five percent of annual operating expenses and, if continued, would not result in a fund deficit position within the following 24 months.
4. If an operating loss has occurred, it has not been preceded by a significant operating loss in either of the two prior years.
5. There has not been a sharp decline in the operating/current-unrestricted fund. (Threshold subject to PPA professional judgment - e.g., a 15% decline as part of a downsizing/spin-off initiative by an organization with a substantial operating fund balance might not warrant concern while a smaller decline for an expanding organization with a modest operating fund balance could.)
6. Current assets are greater than current liabilities and there is no evidence of serious cash flow problems (e.g., missed/delayed payrolls, tax liens, cancelled/overdrawn Lines of Credit, excessive accumulation of accounts payable, requests for accelerated purchasing agency invoice processing).
7. There has not been a sharp decline in working capital and working capital is not so marginal as to create a risk of financial instability in the event of a moderate loss(e.g. 3-5%) for a single year. (While individual organizational situations and working capital requirements may vary, the PPA would usually regard anything less than 12 calendar days of working capital as unsatisfactory.)
8. There has not been excessive accumulation of accounts receivable, bad debt, or free care. Secretariat-wide thresholds have not been established due to reasonable variances that exist for specific sub-industries (e.g., mental health centers or other medicaid/third party billers). PPAs are responsible for the application of thresholds that are appropriate to the characteristics of their provider groups.
9. There has been no pattern of excessive growth beyond rates reasonable and consistent with available financial and administrative resources of the organization (e.g., in most instances organizations should generate a rate of return on assets sufficient to cover inflation and planned growth).
10. There are no contingent liabilities (e.g., pending litigation, property liens) significant enough to jeopardize the organization's financial stability.
11. There is no pending or ongoing Bankruptcy or Receivership action involving the provider.
12. There are no tax or insurance/benefit liabilities beyond those permitted by law.

(Note: Items 11 and 12 are key contractual compliance requirements as well as satisfactory financial condition criteria.)

If the financial statements or other evidence indicate that these conditions have not been met, or where other deficiencies related to financial condition, audit issues, licensure, PA/AA/EO, management or other situations relevant to the level of risk posed for the Commonwealth and its consumers have been identified by the PPA (e.g., failure to comply with Secretary of State or Public Charities filing requirements, issues cited in contract monitoring reports, etc.), corrective measures may be required and, if approved, the provider will be categorized as either Qualified with Corrective Measures or Conditionally Qualified. As noted on the Qualification Criteria Worksheet, execution and submission of a formal Corrective Action Plan is automatically required for audit and certain other deficiencies. Other issues may be addressed more informally at the discretion of the PPA without execution of a formal Corrective Action Plan.

AUDIT RESOLUTION AGREEMENT/CORRECTIVE ACTION PLAN INFORMATION SHEET

PLEASE REVIEW THE ACCOMPANYING SATISFACTORY FINANCIAL CONDITION CRITERIA AND THE QUALIFICATION CRITERIA WORKSHEET TO DETERMINE WHETHER OR NOT A DRAFT AUDIT RESOLUTION AGREEMENT OR CORRECTIVE ACTION PLAN SHOULD BE INCLUDED IN YOUR ORGANIZATION'S SUBMISSION. If all criteria worksheet items have been passed or if problems have been identified only for items not marked with a single asterisk, a Corrective Action Plan does not have to be submitted unless the PPA has requested one. The PPA will contact you if necessary to discuss informal corrective measures.

If an Audit Resolution Agreement or Corrective Action Plan (CAP) is required.....

An Audit Resolution Agreement (required to address audit findings) or a Corrective Action Plan (required to address other issues) is a plan developed by the contracting provider for the correction of deficiencies that is incorporated into an administrative agreement as a result of negotiation between the provider and the PPA representative. A formal agreement, executed by both the provider and the PPA, must be developed for each provider where audit resolution issues or other items marked by a single asterisk on the enclosed Qualification Criteria Worksheet apply. At the discretion of the PPA, either a formal CAP or informal/alternative corrective action or monitoring arrangements may be required where the provider has been determined to be in less than satisfactory financial condition, or where contractual compliance, managerial/organizational or other identified issues have been identified. Note that informal approaches may not be used to resolve audit findings since execution of a formal resolution agreement is required by the Operational Services Division Audit Resolution Policy. The Qualification Criteria Worksheet accompanying this package has been enclosed for your convenience in determining whether or not a draft plan should be included in your organization's submission. If a formal Corrective Action Plan is required, it must include:

A statement identifying the financial, managerial, PA/AA/EO, programmatic, compliance or audit issues;

The corrective action measures being taken to address cited deficiencies;

A timetable for resolution of the deficiencies;

The criteria and evaluation process for determining whether the corrective measures have achieved the desired result;

The status of corrective action on prior audit findings and licensing or other deficiencies, if applicable; and

A statement that it has been approved by the Board of Directors as well as signatures of the provider's Authorized Signatory and the PPA's representative. (Since CAP submissions are treated as "draft" until finalized and executed by the PPA, providers should be prepared to secure formal Board approval on short notice where draft provisions are being modified.)

A-133 Audit and State Auditor audit findings must be clearly labeled as "A-133" or "OSA" in freestanding Audit Resolution Agreements, which cover each audit finding on a point-by-point basis. See the OSD Audit Resolution Policy or contact your PPA for detailed audit resolution guidance. Each Audit Resolution Agreement must be signed by both the PPA and provider since Audit Resolution Agreements are separated from other CAP documents for filing with OSD and, where applicable, Federal authorities. Governmental Auditing Standards and OMB Circular A-133 provisions require that the resolution status of prior audit findings also be reported. Normally, this status is reported by the current auditor in the body of the audit report, however the separate reporting of supplemental resolution status information may be required in some instances by the PPA or by OSD. As required by OMB Circular A-133 and applicable OSD and Secretariat policy requirements, Audit Resolution Agreements must be executed within six months of the receipt of the audit report except in situations involving extraordinary circumstances such as litigation.

Note that the Excel file application used for the contracting qualification process includes separate worksheet templates for Audit Resolution Agreements and other Corrective Action Plans. These templates have been designed to promote compliance with the above specifications. The PPA may waive use of the templates where special circumstances such as the execution of consent decrees or other legal filings require a modified approach. Regardless of format, the above specifications must be adhered to and audit resolution agreements must be executed as freestanding documents, separate from any Corrective Action Plan agreements involving issues other than audit findings.

Governmental Entities Note: Audit Resolution Agreements with the PPA are required only for POS related findings. Seek clarification from OSD and your PPA if you believe this to be your situation.

Note: The PPA, at its discretion, may require independent documentation by auditors or others confirming the completion of corrective measures in a timely manner. *Failure to fulfill Secretariat annual qualification and corrective action requirements shall be grounds for contract termination, payment delays or other penalties pursuant to 808 CMR 1.04 (3) and the Commonwealth Terms and Conditions for Human and Social Services.*